

CLAIMS

What is claimed is:

1. An apparatus allowing for tax-optimized, managed investment portfolios,
5 comprising
an investor account database storing account data for a plurality of financial portfolios;
wherein the assets of each financial portfolio are allocated to at least one investment style manager, each investment style manager maintaining
10 investment style data;
a portfolio optimizer operative to optimize a financial portfolio for after-tax returns, factoring in risk, return, and tax costs, based on the investment style data corresponding to the investment style managers associated with the financial portfolio and the account data in the investor account database.
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2. The apparatus of claim 1 wherein the investment style data is a model portfolio.
3. The apparatus of claim 1 wherein the investment style data allows for creation of a model portfolio.
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4. The apparatus of claim 2 wherein the model portfolio data comprises a plurality of securities and their respective weights.
5. The apparatus of claim 2 wherein the portfolio optimizer is operative to minimize
25 tracking error from the model portfolios of the investment style managers associated with the financial portfolio, balancing tracking error, tax costs, and transaction costs.
6. The apparatus of claim 1 wherein the portfolio optimizer includes means for modeling a tax code applicable to the client associated with financial portfolio.
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7. The apparatus of claim 6 wherein the means for modeling a tax code is operative

to provide the incremental tax costs resulting from a given set of trades.

8. An apparatus allowing for tax-optimized, managed investment portfolios, comprising

5 an investor account database storing account data for a plurality of financial portfolios;

wherein the assets of each financial portfolio are allocated between at least two asset classes;

wherein each asset class has associated therewith at least one

10 investment style manager, each investment style manager maintaining a model portfolio;

a portfolio optimizer operative to optimize a financial portfolio across asset classes for after-tax returns, factoring in risk, return, and tax costs, based on the model portfolio data corresponding to the investment style managers associated with
15 the financial portfolio and the account data in the investor account database.

9. The apparatus of claim 8 wherein the portfolio optimizer is operative to minimize tracking error from the model portfolios of the investment style managers associated with the financial portfolio, balancing tracking error, tax costs, and transaction costs.

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10. The apparatus of claim 8 wherein the portfolio optimizer is operative to minimize tracking error from the model portfolios of the investment style managers associated with the financial portfolio, balancing tracking error, tax costs and tax preferences corresponding to the financial portfolio.

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11. The apparatus of claim 8 wherein the model portfolio data comprises a plurality of securities and their respective weights.

12. The apparatus of claim 8 wherein the investor account database stores portfolio
30 optimization settings in association with corresponding financial portfolios, and wherein the portfolio optimizer is operative to optimize a financial portfolio across

asset classes for after-tax returns, factoring in risk, return, and tax costs, based on the model portfolio data corresponding to the investment style managers associated with the financial portfolio and the account data and portfolio optimization settings in investor account database.

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13. The apparatus of claim 8 wherein the investor account database stores client preference data in association with corresponding financial portfolios, and wherein the portfolio optimizer is operative to optimize a financial portfolio across asset classes for after-tax returns, factoring in risk, return, and tax costs, based on the
10 model portfolio data corresponding to the investment style managers associated with the financial portfolio and the account data and client preference data in investor account database.

14. The apparatus of claim 13 wherein the portfolio optimizer is operative to screen
15 the model portfolio data for restricted securities identified in the client preference data.

15. The apparatus of claim 14 wherein the portfolio optimizer is operative to replace restricted securities with an alternate security.

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16. The apparatus of claim 15 wherein the alternate security is the most similar security to the restricted security in relation to tracking error relative to the model portfolio and excess return associated with the restricted security.

25 17. The apparatus of claim 8 wherein the portfolio optimizer is operative to identify and prevent wash sales within the financial portfolio.

18. The apparatus of claim 8 wherein the portfolio optimizer is operative to receive external transactions data relating to financial events external to the financial
30 portfolio, and wherein the portfolio optimizer is operative to identify and prevent wash sales resulting from optimization, across the financial portfolio and identified

external transactions.

19. The apparatus of claim 8 wherein the portfolio optimizer is operative to receive external transactions data relating to financial events external to the financial
5 portfolio, and wherein the portfolio optimizer integrates the external transactions data into optimization of the financial portfolio.

20. The apparatus of claim 8 wherein the portfolio optimizer is operative to calculate an optimal solution for achieving a requested withdrawal from the financial portfolio.

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21. The apparatus of claim 8 wherein the portfolio optimizer is operative to calculate an optimal solution for integrating a contribution to the financial portfolio.

22. The apparatus of claim 8 wherein the portfolio optimizer is operative to constrain
15 the optimization to a targeted asset allocation range.

23. The apparatus of claim 8 wherein the portfolio optimizer is operative to constrain the allocations between investment style managers within an asset class.

20 24. The apparatus of claim 8 further comprising an investment style data processor operative to receive investment style data from a plurality of investment style managers, the investment style managers submitting investment style data associated with varying degrees of participation; and wherein the investment style data processor is operative to process the investment style data to provide a uniform set of
25 inputs to the portfolio optimizer.

25. The apparatus of claim 8 wherein the apparatus is operative to transmit calculated adjustments for a financial portfolio to an accounting system for trade execution.

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26. A method facilitating the maintenance of tax-optimized, investment portfolios,

the method comprising the steps of

receiving investment style data from a plurality of investment style managers;

receiving account data relating to a financial portfolio, wherein the assets of the financial portfolio are allocated to at least one investment style manager; and,

5 optimizing the financial portfolio for after-tax returns, balancing risk, return and tax costs, based on the investment style data from the investment style manager(s) associated with the financial portfolio and the account data associated with the financial account.

10 27. The method of claim 26 wherein the investment style data for each investment style manager includes data characterizing a model portfolio.

28. The method of claim 27 wherein the optimizing step comprises the step of
minimizing tracking error from the model portfolios of the investment style
15 managers associated with the financial portfolio, balancing tracking error, transaction and tax costs.

29. The method of claim 26 further comprising the step of
before the optimizing step, processing the investment style and account data
20 to screen for restricted securities.

30. The method of claim 29 further comprising the step of
selecting an alternate security for any restricted security associated with a
model portfolio found in the processing step.

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31. The method of claim 30 wherein the alternate security is the most similar security to the restricted security in relation to tracking error relative to the model portfolio and excess return associated with the restricted security.

30 32. The method of claim 26 further comprising the step of
processing the investment style and account data to screen for potential wash

sales.

33. The method of claim 32 further comprising the step of
applying a constraint mechanism to any security associated with a potential
5 wash sale to eliminate the potential for a wash sale.

34. The method of claim 26 wherein the account data includes client data relating to
financial events outside the financial portfolio and wherein the method further
comprises the steps of

10 calculating the net tax position of the client associated with the financial
portfolio.

35. A method facilitating the management of tax-optimized financial portfolios
allocated between at least two investment style managers, the method comprising
15 the steps of

maintaining a financial portfolio, wherein the assets of the financial portfolio
are allocated to at least two investment style managers, wherein the investment style
managers each maintain a model portfolio;

receiving model portfolio data from the investment style managers associated
20 with the financial portfolio; and

calculating adjustments to the financial portfolio, balancing risk, return and
the effect of taxes, to minimize tracking error from the model portfolios of the
investment style managers associated with the financial portfolio and to optimize
after-tax returns.